

**Questionnaire in advance of Treasury Committee Hearing  
Dame Clara Furse**

Q1. *Do you have any business or financial connections or other commitments which might give rise to a conflict of interest in carrying out your duties as a member of the FPC?*

My other commitments are as a non-executive director of;

- Nomura Holdings Inc
- Amadeus IT Holdings SA
- the Department for Work and Pensions

I am also a member of the Panel of Senior Advisors to Chatham House.

Q2. *Is there anything you wish to draw to the attention of the Committee from your previous work experience?*

I have spent my working life in financial services in the City of London and have sat on a variety of boards as a non-executive director for more than twenty years. (My CV is attached.)

Q3. *Do you intend to work for the full term for which you have been appointed?*

Yes

Q4. *Why have you decided to join the FPC?*

I believe I have a useful contribution to make to the development of the UK's macro-prudential policy, which I see as fundamental to our future prosperity. This will rely in no small measure on the FPC's ability to re-establish confidence in a stable and predictable environment for investment and growth. Much of my work in the last decade has been geared to the goal of connecting capital to investment efficiently and to helping the City of London build its position at the centre of international finance; enabling the UK to play a vital role in financing global growth. This role and the reality of global inter-connectedness carry evolving systemic risks (as Andy Haldane elucidated so well in his 2009 Amsterdam speech, 'Rethinking the Financial Network'). I believe the UK has the international experience and intellectual grit to lead in resolving these challenges to financial stability, so that we can avert what may otherwise become a retreat from globalisation; this would be a most unfortunate consequence of the financial crisis.

Q5. *Please explain how your experience to date has equipped you to fulfil your responsibilities as a member of the FPC. In particular what areas of the FPC's work do you believe you will make a particular contribution to, and which will you have to undertake additional research into upon your arrival?*

I believe my background as a practitioner in financial services, covering all major asset classes, their derivatives and market infrastructures; my experience as a businesswoman and manager as the CEO of a FTSE 100 company that faced some extraordinary challenges; and my exposure as a non-executive director to companies operating in dynamic global markets provide me with international capital markets and business expertise. I believe this broad experience base will be useful to the Committee.

More specifically, I believe I understand well the interface between the regulatory and financial/commercial worlds; the impact of regulation on markets and business and the real risk of perverse outcomes to well-intentioned political and regulatory initiatives.

I think my operational background also means that I have a strong understanding of technology risks and opportunities, global market risks and their management, potential systemic risks arising from market

structures (such as clearing and settlement entities) and the impact of culture and transformation on organisational behaviour.

My experience on a range of boards and committees has also provided me with a number of important lessons on the importance and quality of good governance; and strategic and execution risks, particularly in relation to major corporate transactions.

I believe I will need to do a great deal more work on the detail behind the management information provided to the FPC. I will need to develop a far better understanding of the strategic framework for the Committee's work; if the FPC is the UK's 'Risk Committee', a forward-looking and pro-active approach will require foresight and flexibility as well as a regular review of the Committee's strategic priorities. At this early stage, it is not yet clear to me how this will be achieved.

I would also like to achieve a good feel for the quality of the relationship between the FPC, other key Bank committees and the constituents affected by their actions.

*Q6. Which of your publications and papers are of most relevance to your future work on the FPC?*

I have not published any papers. However, I was the Chairman of the Lead Expert Group for the Government Office for Science's latest Foresight project on 'The Future of Computer Trading in Financial Markets' (October 2012). This provided an extensive evidence base for evaluating the impact of major technological shifts on the current and future quality and efficiency of financial markets.

*Q7. What do you regard as the main challenges facing the FPC over your tenure as FPC member?*

I believe the main challenge for the Committee will be a careful assessment of the interaction of numerous regulatory remedies and initiatives on both the domestic and global financial environments in which we operate; and their likely consequences for financial stability in the UK.

At a more granular level, the Committee may need to assess the point at which the many counter-cyclical deleveraging measures have accumulated to produce a (potentially pro-cyclical) repression of healthy economic activity. In other words, I expect that an evaluation of the importance of the Committee's secondary objective in underpinning financial stability may be a key challenge in the near term.

Clearly there are also numerous external risks, the most obvious being the unresolved 'governance' and economic issues in the Euro zone which will continue to pose a risk to stability and balanced growth for some time.

*Q8. What do you think is currently the most significant risk to financial stability facing the UK?*

I believe the main risk to financial stability in the UK is the potential for another, less severe liquidity 'crunch' arising from the accumulation and interaction of numerous, rapidly changing and uncoordinated regulatory initiatives from around the world (eg. EMIR the new derivatives regulation, any version of the financial transactions tax, the CFTC's apparent desire to bury Libor, 'Vickers', Basel III, CRD IV etc.); all impacting our ability to create a stable, reasonably predictable financial environment for investment and growth.

*Q9. What do you regard as the strengths and weaknesses of the work undertaken by the interim FPC?*

I believe the establishment of the FPC and the new regulatory architecture to be a success in itself. The careful and thoughtful manner in which the Treasury and FPC have managed the transition to this important point has been exemplary, in my view.

I believe the FPC's work to date has been good. In particular the important changes to liquidity regulation and the introduction of the secondary objective announced last summer, were timely and instrumental in shifting perceptions around the crucial and constructive work that the FPC can do.

Also, the proactive and sensitive way in which the work to reduce risk in relation to emerging problems in the Euro zone around 18 months ago was managed, is commendable. This illustrated the importance of the new structure in facilitating urgent and close work between macro and micro-prudential authorities.

However, the FPC plays a critical role in securing financial stability by boosting confidence in the system. Recently, some confusion has been generated by wide spreads in market expectations around the recommendation for retail banks to raise more capital; both the quantum and the means of doing this. (eg. as 'CoCos' have become an important way for banks to raise non-dilutive capital, more clarity is required on loss absorption trigger levels and mechanisms). Given that predictability is fundamental to confidence, this suggests that the FPC might improve its public communications.

I also feel that the FPC could do more to engage its constituents and stakeholders, explaining its strategy for macro prudential regulation, its expected impact on financial markets and their participants; and the link between this and the health and sustainability of our economy.

*Q10. How do you assess the public communications of the FPC so far with regard to financial stability policy and decisions? What challenges remain?*

Please see my response above.

*Q11. What is your assessment of the macroprudential tools that will be available to the FPC? Are there additional tools or powers which you think it would be useful for the FPC to have?*

It is too early for me to give a proper response to this. My initial impression is that they will be more than adequate and would need to be used with some care. Having said that, the environment remains challenging and uncertain, and there may be a need to refine or add to the tools currently approved (in the flexible and timely way already envisaged.)

*Q12. What is your assessment of the FPC's core indicators? Which ones do you see as being the most important, and are there any additional indicators that you think should be considered?*

My preliminary view is that much careful work has gone into formulating them and that they are informative, interesting and extensive (if mainly limited to a domestic context).

*Q13. What is your initial view of the new FPC remit?*

I am happy with it. I note in particular the recommendation to explain and regularly review those risks the FPC considers a priority, their risk assessments and the time horizon for dealing with them. I also welcome the recommendation that the Committee attends to the impact of its actions on the near-term economic recovery; the view that the FPC's primary and secondary objectives can and where possible, should be, complementary, is one that I agree with.

ANNEXE

CURRICULUM VITAE

**DAME CLARA FURSE DBE**

***Non -Executive Director, 2009-date***

- Nomura Holdings Inc., 2009-
- Amadeus IT Holdings SA, 2010-
- U.K. Department for Work and Pensions, 2011-  
Also:
- Member of the Panel of Senior Advisors to Chatham House, 2012-

Previous non-executive/advisory positions:

- Legal & General Group plc, 2009- April 2013
- Nomura Europe's FSA regulated entities, 2009-April 2013
- Fortis SA, 2006-2009
- Member, Shanghai International Advisory Council, 2006-2009
- Euroclear SA, 2003- 2009
- LCH.Clearnet SA, 2005-2009
- LIFFE 1991-1999 (Deputy Chairman 1997-1999)

***PROFESSIONAL HISTORY***

- January 2001 - May 2009

**Chief Executive, London Stock Exchange Group**

During this period, the Exchange:

- listed on its own market in 2001
- more than trebled revenues from £193 to £671 mln
- quadrupled adjusted operating profit to £339 mln
- quintupled EPS to 74.2p and increased the dividend nearly eight times to 24.4p
- merged with Borsa Italiana, and
- joined the FTSE-100

In addition:

The **London Stock Exchange brand** reached 7<sup>th</sup> position in the Superbrands Global Top 500 survey in 2009, up from 15<sup>th</sup> in 2008 and 54<sup>th</sup> in 2007.

It became the world's most **international** exchange with 656 non-UK companies from 72 countries listed on its markets. AIM, the Exchange's market for growth companies became uniquely successful, raising more money for its companies in 2006 (£15.7bln) and 2007 (£16.2 bln) than Nasdaq raised for its entire list.

A four year **technology** renewal programme was completed in mid 2007, introducing a new standard for exchange efficiency and latency in Europe; thereby improving liquidity and significantly reducing transaction cost on the Exchange's markets (volume grew from approximately 50,000 order book trades a day in 2001 to 740,000 order book trades a day in 2008/2009).

In October 2007, the merger with **Borsa Italiana** provided for major diversification of the group's business to include Europe's largest fixed-income platform (MTS), and Europe's most efficient central clearing and settlement providers (CC&G and Monte Titoli).

This transaction ended a period of intense corporate activity, during which the Exchange defended itself against a record five unsolicited approaches or hostile bids, at prices from £5.30 at the end of 2004 to £12.43 in early 2007.

- May 1998 to December 2000

### Group Chief Executive of Credit Lyonnais Rouse

Implemented a major change programme at the global derivatives subsidiary of Credit Lyonnais, managing complete organisational and infrastructure change. A

review of product lines and the parallel implementation of new IT platforms helped profits in 2000 achieve a multiple of both 1999 results and budgeted 2000 forecast.

- February 1983 to April 1998

**Managing Director** of UBS primarily responsible for UBS' Global Futures and Options business world-wide.

Helped to build this business from scratch in 1983, establishing the LIFFE market's institutional client base. Developed and introduced global central clearing, a service that significantly reduced the counterparty risk profile of the industry. The business delivered major trend growth in profits over the period.

- October 1982 to February 1983  
Dean Witter Reynolds Overseas Ltd
- September 1979 to September 1983  
Heinold Commodities Ltd.

## *PERSONAL*

Born: 16 September 1957 in Jonquière, Canada of Dutch parents

Nationality: British and Canadian

Languages: Dutch, English, Spanish, French and German

Status: Married

3 children aged 26, 20 and 13

Education:

1976-1979

London School of Economics: BSc (Econ) 2.1

1971-1975

St. James' School, West Malvern, Worcestershire

1968-1971

Rygaards Skole, Copenhagen, Denmark

1962-1968

Colegio Bolivar, Cali, Colombia